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Evaluation of Strengths, Weakness, Opportunities and Threats to the Ontario Bottled Water Industry

Prepared for:

Ontario Ministry of Agriculture, Food and Rural Affairs

Food Industry Division

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Final Report

Gartner Lee Limited

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Report Outline

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Introduction

Gartner Lee in association with TDG Consulting has been engaged by the Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA) to conduct a study to assess the strengths, weaknesses, opportunities and threats (SWOT) of the Ontario Bottled Water industry. The purpose of the SWOT analysis is to generate a list of recommended actions for government and industry that will enhance the competitiveness of the industry in general. As a result of this SWOT, the Ontario government expects not only to have greater insight into both the competitive and market dynamics of the bottled water industry, but also to be better positioned to support investment and export initiatives in the sector. Some of the key actions that the Ontario government might support as a result of this SWOT initiative, include the following:

- Providing support for product mandate bids by Ontario firms in the North American marketplace, whether intra-company or contracts for packing private label;
- Displacing imports of both consumer packaged goods and major ingredient supplies where it is possible to source these domestically;
- Providing information transfer through client contacts, information seminars, increased market intelligence and export promotion;
- Developing a strategy to support business in developing market expertise as they move from local to global markets;
- Promoting exports of Ontario produced food and beverage products;
- Aggressive pursuit of investment opportunities: attraction, retention, and "Greenfield" ; and
- Refocusing export initiatives to ensure growth in export-ready companies.

This study was undertaken with three deliverables in mind:

1. **To help the Ontario government understand the opportunities for future investment in this sector,**
2. **To identify possible actions for government and industry to pursue that leverages opportunities and address threats to the sector, and**
3. **To outline the impact of the bottled water industry has on communities where production facilities and water sources are located.**

Approach and Workplan

Our approach and workplan involved three inter-related steps as illustrated below:

Data Collection:

- Interviews with eight bottlers (Ont., Que., U.S.)
- Interviews with two municipalities
- Interview with one public interest group
- Government - MOE, MNR
- Secondary research:
  - Internet
  - Publications

SWOT:

- Analysis of information
- Workshop session with study participants
- Consensus on data
- Discussion of issues and interpretation
- Recommendations and actions

Reporting:

- Draft and final reports
- Recommended next steps

Background – An Industry in Transition

The growth in the bottled water industry in the United States and Canada over the past decade has been dramatic. Sales of bottled water in the United States have increased 68%, from $3.1 billion in 1994 to $5.2 billion (US) in 1999 (Confidential information provided by one industry source), with average annual per capita consumption increasing from 39 litres to 53 litres (36%) in this same period (International Joint Commission (IJC) Report – Draft, April 2000). An increasing and significant portion of these sales in the U.S.are comprised of imports, primarily from three sources: Canada, France, and Italy.

Canada experienced somewhat similar growth. Although per capita consumption in this same period increased more slowly, from 14.6 litres per person in 1994 to an estimated 15.8 litres per person in 1998 (IJC – Draft report), the total value of shipments is reported to have increased six times in ten years to about $337 million (Can) in 1997 (Agriculture and Agri-Food Canada, July 2000, Industry Profile - The Canadian Bottled Water Industry). The majority of Canadian production is exported primarily to the United Sates, making it our most important market.

The boom in consumption of bottled water is driven in large part by:

- Increasing awareness of health and water quality
- Changing beverage and lifestyle preferences:
  - Increasing desire for alternatives to sodas, coffee, and other beverages

The Ontario government through the Ministry of Agriculture, Food and Rural Affairs (OMAFRA) is seeking ways to assist the Ontario bottled water industry in capitalizing on this growth. However, little information about the Ontario industry is known. There are no accurate up to date statistics on production and trade. Similarly, there is little understanding of the key issues and drivers that most impact the Ontario bottled water industry. Consequently, OMAFRA commissioned this study to compile relevant production statistics and to asses the strengths, weaknesses, opportunities and threats facing the industry as a means to determine actions for enhancing the competitiveness of the industry.

Ontario Bottled Water Industry at a Glance

- Comprised of two segments:
  - PET or case goods (less than 1.5 litres)
  - 18 litre bottles
- **PET/Case Goods**:
  - Comprised of ten major producers
  - About 50% of production is sourced from one company in 2000 – Aberfoyle Springs
  - Greater than 86% of production is sourced from four companies
  - With one exception, top four bottled water producers are located in rural communities in southern Ontario with easy access routes to the U.S. market
- **18 Litre Bottles**:
  - Comprised of six major producers
  - All production is consumed in local markets
  - Major market is the greater Toronto area (GTA)

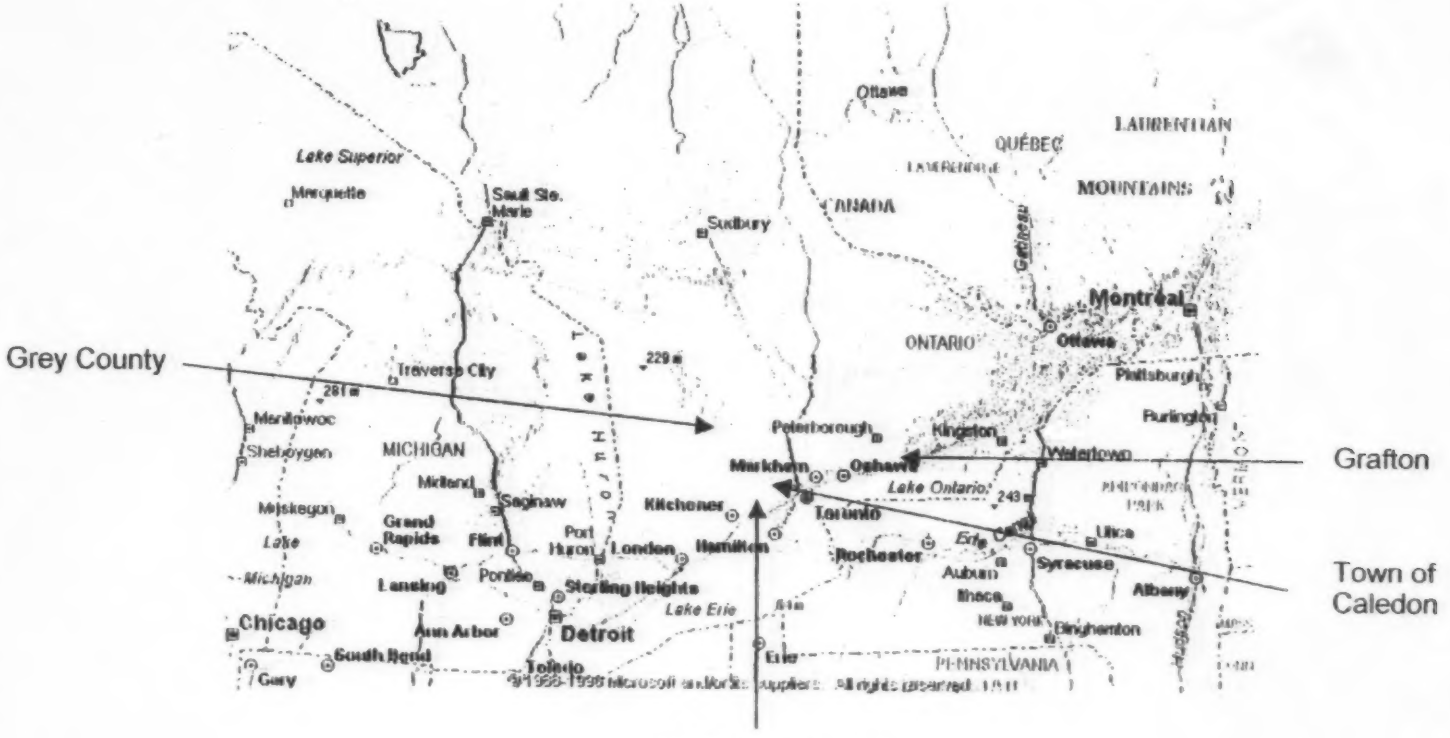
Ontario Bottled Water Industry, 2000

PET/Case Goods:	
Volume of Production	44 million cases – 528 million litres
% Exported	60 – 65%
Direct Employment (FTEs)	475 – 525 people
Value of Production - 2000	$176 - $198 million
18 Litre Bottles:	
Volume of Production	9 million bottles – 162 million litres
Direct Employment (FTEs)	800 – 1,000 people
Value of Production - 2000	$54 million
Total Volume	690 million litres
Total Direct Employment	1,275 – 1,525 people
Total Value of Production	$230 - $252 million

Above values are estimates – based on synthesis of multiple sources of data

Water Sources Are Dispersed Throughout Southern Ontario

We have accounted for about 86% of bottled water production in Ontario. The water taking sources for these major producers are outlined below. Most water sources are derived from natural spring water – see Appendix A for illustration of the water cycle.



Ontario Bottled Water Industry is a Growing Factor in the Ontario Economy

- The Ontario bottled water industry directly employs between 1,275 to 1,525 people. Indirect jobs associated with this industry can be linked to:
  - Trucking,
  - Packaged goods,
  - Environmental services,
  - Manufacturing/fabrication, etc.

Using an industry multiplier of 2.5, it is estimated that all direct and indirect jobs linked to Ontario bottled water companies amounts to between 3,188 and 3,513 jobs.

- Given the anticipated growth of the Ontario bottled water industry, it is expected that this employment impact will increase over the next five years:
  - It is assumed that many of the new direct industry jobs will be generated in rural areas of southern Ontario
- The amount of source water taken for all Ontario bottling operations is relatively small in comparison to other water taking uses:
  - Ontario Ministry of Environment estimates that the Ontario bottled water industry accounts for less than one percent of all permitted water taking activities in the province.

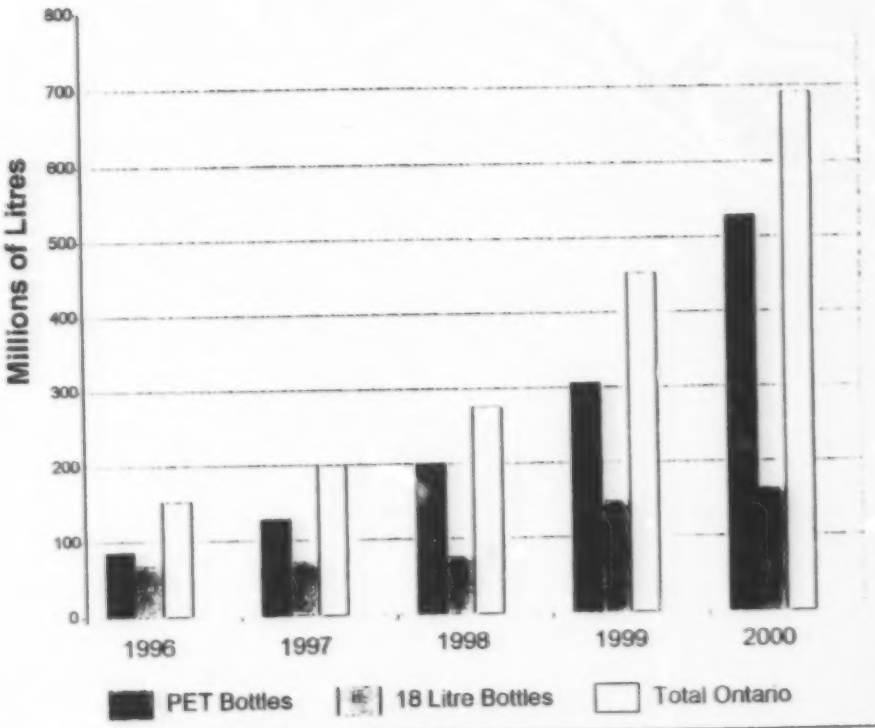
How much does 690 million litres of water per year service?

- **The annual water needs of some 1300 households**
- **The irrigation needs of about 9 golf courses**
- **The annual production of the Ontario Bottled Water Industry for year 2000**

Growth of the Ontario Industry Has Been Dramatic

- Almost all bottled water sources are derived from natural spring waters in Ontario.
- All company sources indicated that they have recently invested in new and expanded production facilities In Ontario to meet increased demand from both local and domestic markets.
- Ontario production has increased 300% over the past 5 years, from 152 million litres in 1996 to about 690 million litres in 2000.
- The greatest growth has been in the PET/case goods market segment, which has experienced between 50% and 100% annual growth. Industry expectations are that this growth rate will continue over the next five years
  - Exports to the U.S. will be the major determinant of growth
- Although growth in the 18 litre bottle market has been less dramatic (i.e. about 10% per annum), some expect this trend to double over the coming few years:
  - Particularly in sales to residential customers seeking large quantities of safe water supply for home consumption

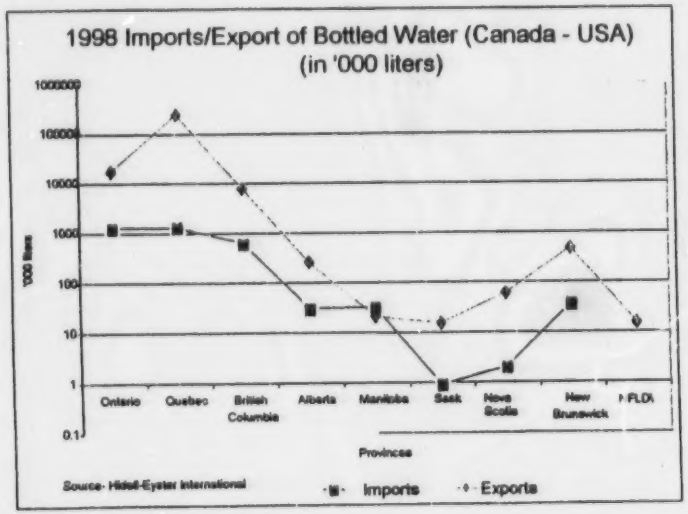
Ontario Bottled Water Trend 1996-2000

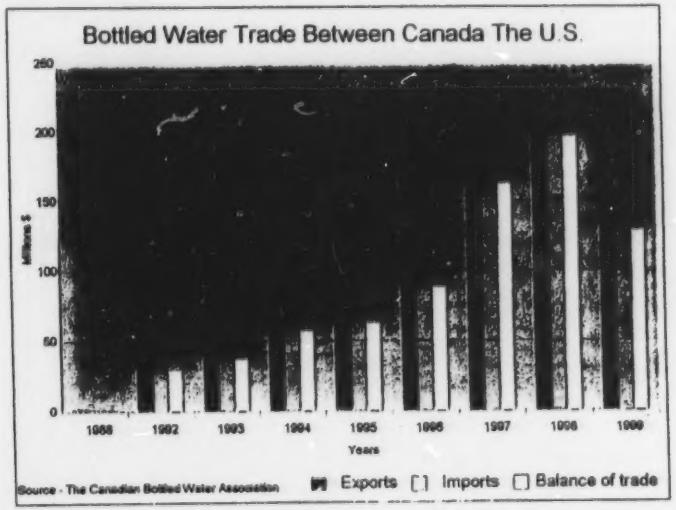


Values expressed in the above graph are estimates. Despite the likely margin of error in these estimates, industry sources agree with the overall growth trend.

Trade With the U.S. is Critical For Ontario

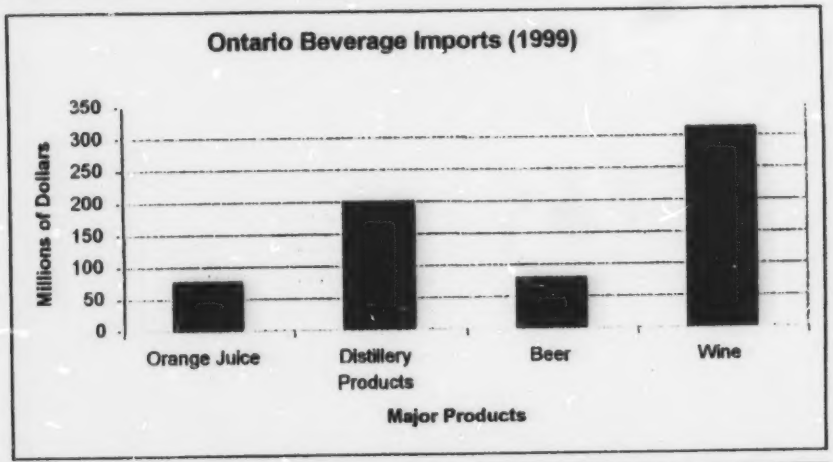
- Canada is a net exporter of bottled water. Our primary export market is the United States. As illustrated below, every region of Canada relies on the U.S. market. In 1998, six times more bottled water volume was exported than was imported (IJC, draft report – Hidell-Eyster International). This ratio is highest in the past ten years, due in part to Canada's low currency exchange rates and also to the increasing consumption of Canadian produced bottled water in other countries.
- Recent industry information indicates that for this past year, an Ontario bottler (Aberfoyle Springs) is now ranked as one of the top 10 most popular brands sold in the U.S. (http://www.beverindustry.com/). Other U.S. brands include: Aquafina, Poland Spring, Evian, Arrowhead, Danone, Zephyrhills, Deer Park, Sparkletts
- Ontario has recently surpassed Quebec as the largest producer and net exporter of bottled water to the U.S.:
  - Quebec exports declined in 1999/2000 due to a temporary drop-off from Naya (Quebec) – Ontario exports continued to climb in this same period

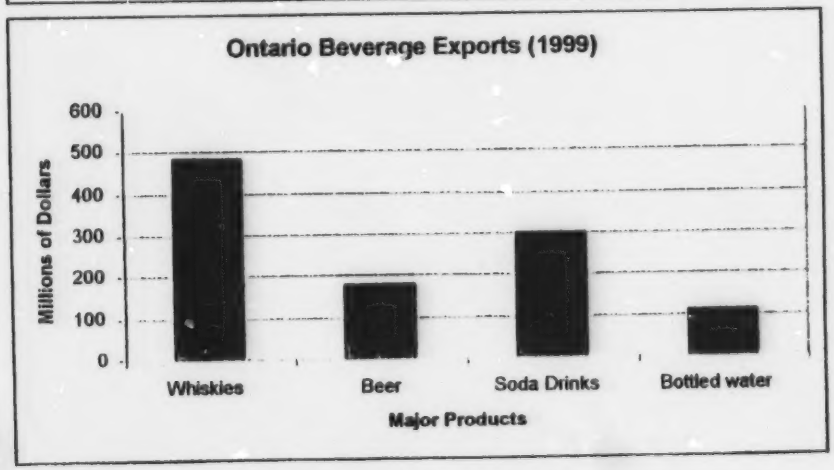




Ontario Imports and Exports Equivalent Amounts of Beverages

- Ontario is both an importer and exporter of many water-based beverages:
  - Beer, wine and other distilled products
  - Juices
  - Soda
- Import/export data for Ontario indicates that Ontario imports and exports equivalent amounts of all beverages:
  - Ontario bottled water industry exported between $60 to $75 million of product in 1999
  - In 1999, Ontario imported about $1billion of beverages (Statistics Canada, International Trade Division)
  - Ontario's total beverage exports in 1999 amounted also to about $1 billion
- An estimated $110 million of bottled water exports are a key but small component of total beverage exports.





How Much Water Are We Exporting?

- Ontario's bottled water exports are less than 0.02% of the water exported from Ontario in the following food products:

	"Virtual" Water* Export (millions of litres per year)	
	Ontario	*Canada*
Cattle	1,300,000	8,400,000
Swine	130,000	6,600,000
Grain	690,000	26,500,000
Soya Beans	400,000	870,000
Total	**2,520,000**	**42,370,000**

** Water imbedded in food commodities.*

Based on "Virtual Water: A Strategic Resource"; J.A. Allan; Ground Water, July/August 1998.

- Bottled water exports would make up about 0.03% of Ontario's total annual consumptive water use from the Great Lakes (i.e., water used and not returned to the lakes), which is estimated at 1,100,000 million litres per year (International Joint Commission, 1999).

The U.S. Market is Dominated by a Few Large Industry Players

- The U.S. bottled water market is dominated by a few very large companies. The Perrier Group, which recently announced its purchase of Aberfoyle Springs, is the largest player:
  - Poland Spring production this past year is estimated at greater than 50 million cases, more than all the combined production in Ontario for PET/case goods. This production comes from one facility.
  - Clearly, the economies of scale and size in many U.S. based operations will favour lower production costs compared to Ontario.
  - One could expect that the recent purchase of Aberfoyle Springs by Perrier will give a significant boost to the distribution and marketing effort of that brand in the U.S. – leading to even greater sales in the coming years.
- Although only 3.3 million litres were shipped to Canada in 1998, 56% originated in Maine and 10% in the State of Washington, both with close proximity to Canadian markets. If exchange rates with the U.S. tend to equalize, U.S. exports to Canada will likely increase. However, the U.S. is a net importer with higher levels of consumption compared to Canada.

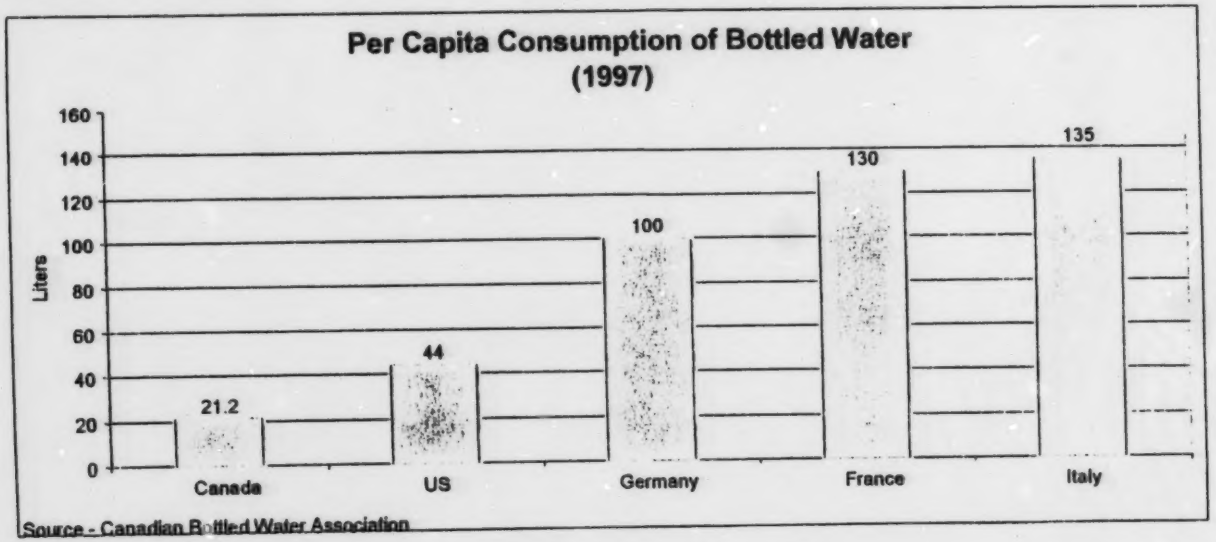
Leading Bottled Water Companies in U.S. (1999)

Company	Lead Brands
Perrier Group	Poland Spring, Arrowhead, Deer Park
Suntory Water Group	Crystal Springs
McKesson Corporation	Sparkletts
Groupe Danone	Evian, Danone, Pure American, Naya (2000)
Pepsi-Cola	Aquafina
Crystal Geyser	Alpine Spring
U.S. Filter	Culligan, others
Coca-Cola	Dasani
Aberfoyle Springs	Aberfoyle Springs

Source: Confidential Industry Data

Trends and Comparisons

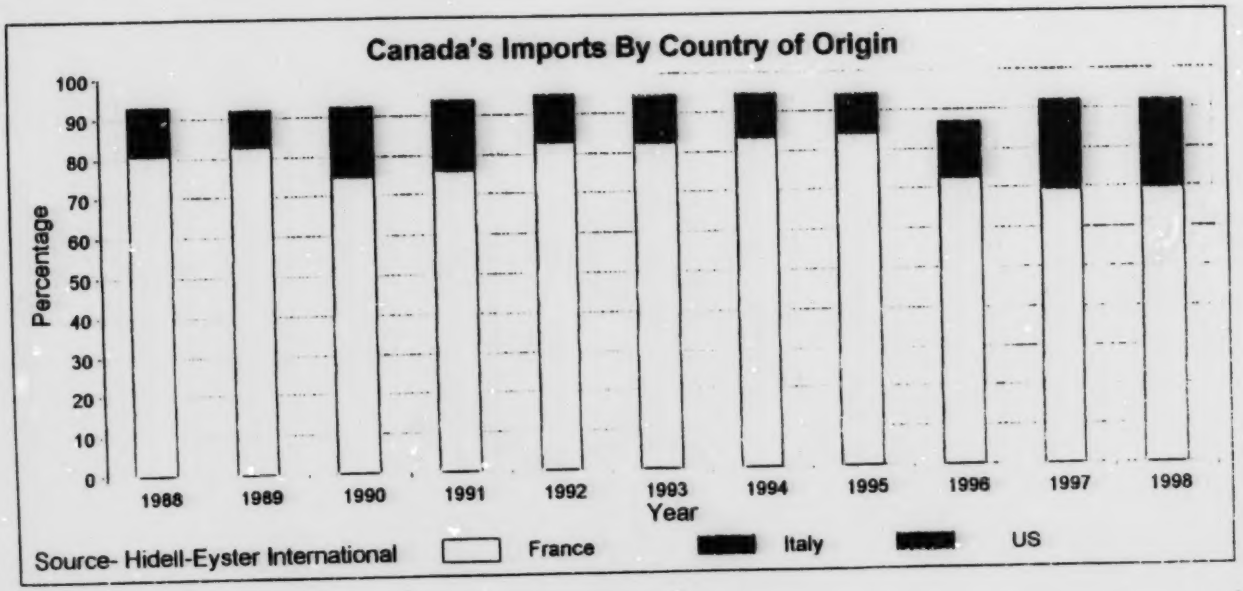
- By comparison, Canada is a relatively low consumer of bottled water, as measured by per capita consumption, compared to Europe and the US:
  - In reality, Quebec has a much higher per capita consumption than the rest of Canada
- As in the U.S., Canadian imports from France and Italy are significant:
  - Evian brand water from France and mineral waters from both France (Perrier brand) and Italy (San Pellagrino brand) are popular
- The bottled water industry is witnessing a trend to consolidation through mergers and acquisitions:
  - Perrier Group purchase of Aberfoyle Springs
  - Groupe Danone purchase of Naya in Quebec and Crystal Springs in Ontario



- Note that the figures from CBWA are not synchronized with consumption figures from the IJC report – see page 5.

Trends and Comparisons (continued)

- Competition is intensified as Pepsi and Coke enter the bottled water markets in Canada and the US:
  - Coca-Cola is soon to open a water bottling capability in Brampton Ontario, which will use processed municipal water as its main source
- Many Ontario companies bottle private label products for sale both domestically and in the US:
  - This trend is increasing
- Because of high consumer demand and easy access to US markets, most Ontario companies have built capacity without much need for promotion and marketing:
  - Now, more effort is required to promote Ontario brands



SWOT Analysis of the Ontario Bottled Water Industry

Strengths What are the internal characteristics and practices of the Ontario bottled water industry that are of value to customers and industry participants?	***Weaknesses*** What are the internal forces and processes that limit the ability of the industry to achieve its maximum competitive advantage?
Threats What are the events and potential competitors that might impact on the success of the industry?	***Opportunities*** What are the opportunities, actions and recommendations that will enhance the long term competitiveness of the industry?

Many Strengths of the Ontario Bottled Water Industry ...

- Ontario and Canadian water sources are recognized internationally for consistent high quality as it relates to taste, purity, and safety
- The industry is proud of its high self-imposed standards for quality assurance and environmental stewardship:
  - All major industry players follow strict industry standard HACCP health and safety guidelines
  - In addition, many companies adhere to a strict self-imposed environmental/water management regime that serves to sustain the water sources (See Appendix A for details)
  - CBWA certification programs (see **http://www.cbwa-bottledwater.org/en/sq.html** for a details on the quality standards followed by association members)
- Ontario has abundant supply of accessible natural spring waters:
  - Some company sources indicate that many consumers prefer natural spring water to treated/filtered tap water
- Wide range of product choices:
  - Private labels
  - Alternative bottle and package sizes for custom convenience
- Increasing consumer demand for bottled water shows no signs of abating – in fact, most companies are anticipating higher annual growth rates in demand and sales
- Easy and short-haul access to the large US market – particularly the northeast US from Ontario
- Production facilities in Ontario are relatively new and state-of-the-art, with built-in capacity to meet expected increases in demand:
  - Costs of production are considered competitive with large US-based operations when our low exchange rate is taken into account (Note: this poses a threat as well – see threats section)
- The fact that an industry association exists for the bottled water industry, which is relatively new in Ontario, is an indication of the industry's strength. This association represents greater than 85% of bottled water production.

But Weaknesses Persist

- Susceptibility to loss of high quality image – One or two incidents of poor water quality or non-sustainability of water-taking activities can damage international brand reputation and affect demand for Ontario bottled water:
  - Currently the CBWA estimates that there about 70 water bottlers operating in Ontario – fewer than half of these are permitted by the Ministry of Environment. Major permitted participants include:
    - Aberfoyle Springs
    - CJC
    - Crystal Springs
    - Culligan
    - Echo Springs
    - Fernbrook
    - Gibraltar
    - Artic Clear
    - Cedar Springs
    - Upper Canada
    - Rocky Ridge
    - Gold Mountain
    - Ice River
    - Iroquois

Many other bottlers produce less than 50k litres of water per day and as such are not permitted. Most are believed to be 18 litre suppliers.

- Limited industry coordination between key producers as it relates to:
  - Data assembly about production, water-taking, and other statistics
  - Dissemination of information to interested stakeholder groups and government Ministries
  - Participation in industry sponsored activities through the CBWA:
    - All interviewees recognize the need for improved dialogue and communication with municipalities, Ministry of Environment, environmental groups, and the general public

- Participation in CBWA is voluntary and thus limits effectiveness of industry-wide programs and events

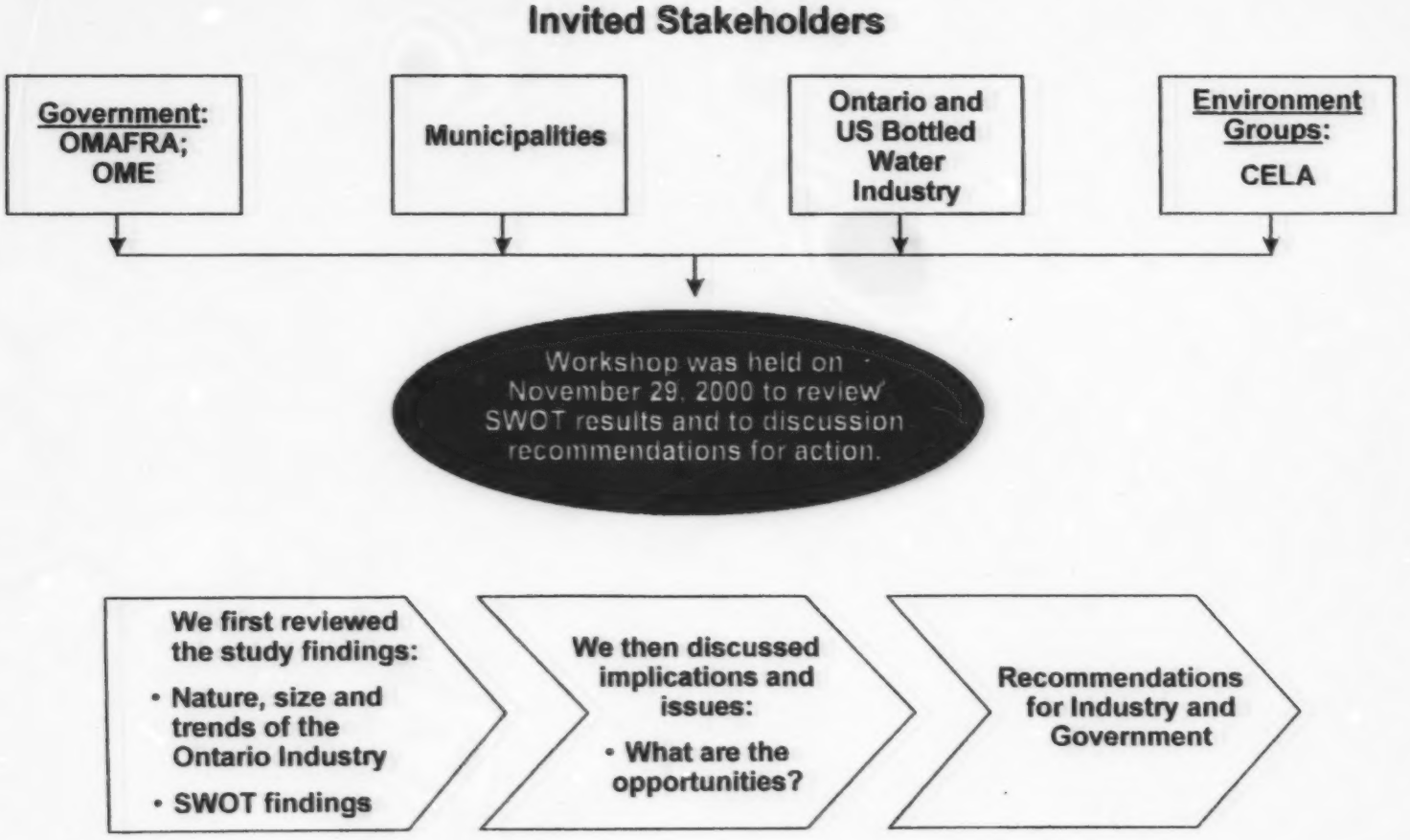
Weaknesses (continued)

- Ministry of Environment (MOE), which is the industry regulator, is not fully aware of:
  - The nature and size of the Ontario bottled water industry
  - The extent to which current water taking permits are used:
    - All water taking activities above 50,000 litres per day require a water taking permit. Not all permit holders are taking water at their maximum allowed rate.
- Perceived views by stakeholders are that the MOE and the Ministry of Natural Resources (under which the many Conservation Authorities operate) are not coordinated and often misinformed:
  - There appears to be some inconsistency in how water-taking regulations are interpreted and executed in the field.
  - Some companies feel that there are no set guidelines for regulations, which leads to confusion and missed water-taking opportunities.
  - On the other hand, one environmental stakeholder group believes that regulations are too lax and do not appropriately address watershed management and sustainability of the watershed resources. However, this NGO agrees that regulations and Ministries are not coordinated.
- The primary competitive advantage of the Ontario industry in the US market is the low exchange rate:
  - Little has been done from an industry perspective to differentiate Ontario water from other sources.
  - If exchange rates move higher, the cost advantage now enjoyed by Ontario bottlers will disappear.
- Data and information about the Ontario, Canadian and US bottled water markets are diverse, limited in content and often contradictory:
  - In the process of researching for this engagement, we encountered four sources for Ontario production data and each was different.
  - Reliability, credibility and accessibility of industry-wide data and information must be restored as a basis for informed dialogue and communication among stakeholders.

A Few Key Threats Can Stall The Ontario Bottled Water Industry

- MOE two-year water-taking permits threaten the ability of Ontario companies to:
  - Secure long term water sources
  - Adequately plan capital improvements to their operations
  - Attract new investments and financing
  - In other jurisdictions (Quebec, B.C. and many US states), water taking permits or their equivalents have no set time limits, as long as water extractions are in compliance with sustainable practices
  - The Ontario industry welcomes comprehensive regulations that are based on sound watershed management principles:
    - If all rules, guidelines and other compliances are known, business planning becomes easier and more predictable.
    - MOE has the power to halt any new or existing permits, but the criteria for such an action are not clear.
- Consumer perception of Ontario water being "tainted" or unsafe can limit market access and sales in a very short time.
- Levies or charges for water-taking that might be directed only to the bottled water industry would add costs to Ontario bottled water products and/or reduce margins to the industry and thus handicap the competitiveness of the industry in general.
- Some Ontario bottlers expressed concern about being able to compete with multinational corporations that offer significant economies of size and scale:
  - Will Ontario residents and regulators be willing to allow continued water exports in light of future industry consolidation?
  - Public perception of multinational companies has not been addressed.
  - Water-taking policies and licensing are sometimes influenced by public perceptions and municipal intervention, based on the above.

Stakeholder Workshop to Identify Opportunities and Recommendations


Invited Stakeholders
Government: OMAFRA; OME
Municipalities
Ontario and US Bottled Water Industry
Environment Groups: CELA
Workshop was held on November 29, 2000 to review SWOT results and to discussion recommendations for action.
We first reviewed the study findings:
• Nature, size and trends of the Ontario Industry
• SWOT findings
We then discussed implications and issues:
• What are the opportunities?
Recommendations for Industry and Government

Several Opportunities Exist to Enhance the Competitiveness of the Industry

- **Regulatory Reform:**
  - Working with the MOE and other interested stakeholder groups to develop a comprehensive new set of regulations and guidelines for all water taking activities (bottled water, municipalities, agriculture, etc.) that are based on sustainable watershed management practices:
    - Restructure the "Permit to Take Water" database so that it can be used as a management tool, including mandatory annual reporting
    - Investigate how other jurisdictions (e.g. Quebec, California, and France) regulate water management of this nature
  - Impose mandatory licensing/permitting for all water taking actions (other than individual personal use wells) no matter what volume of water taken
  - Do not limit the water taking period – regulate and monitor it more vigorously to ensure sustainability of the resource
- **Licensing:**
  - Legislate mandatory and appropriate certification and licensing for all water taking permit holders
  - Consider management of the licensing process be conducted by the CBWA in association with Ontario universities specializing in water resources (e.g. University of Waterloo)
- **Coordinated Communications:**
  - Develop a coordinated communications strategy and awareness program relating to:
    - Environmental stewardship and the science of water management
    - Clarification of regulations and the wellhead protection activities
    - Bottled water industry statistics and growth projections
    - Discussion forums on water management and associated issues such as the bottled water industry
  - Government sponsorship of workshops and conferences on water management issues

Opportunities (continued)

- **Branding:**
  - Branded "Ontario" or "Canadian" spring water as a premium quality water product
- **Product Innovation:**
  - Increase R&D efforts to develop innovative water packaging and alternative delivery mechanisms for Ontario bottled water
- **Environmental Stewardship:**
  - Carry out an independent technical review/audit of environmental management practices in the industry
  - Prepare and promote an environmental stewardship code for the industry:
    - Leverage input from all stakeholder groups (such as environmental groups, municipalities, OMEI

Consensus Recommendations

- **Regulatory Reform**:
  - Together with MOE and industry – develop a comprehensive set of regulations and guidelines for all water taking activities that:
    - Enhance and secure environmental watershed stewardship
    - Makes rules and guidelines transparent
    - Demonstrates high standards for ensuring water quality and environmental stewardship
    - This is similar in nature in water taking reforms in Quebec which focus on watershed management with leadership from the Ministry of Agriculture in Cooperation with the Ministry of the Environment.

- **Branding:**
  - Immediately embark on a program to better understand the demand drivers for Ontario and Canadian bottled water in the US:
    - Engage a consultant to undertake a market research study
    - Investigate co-funding opportunities through appropriate avenues (such as the Healthy Futures Program of Ontario)
  - Follow – up with a comprehensive marketing strategy that will enhance the competitiveness of the Ontario bottled water industry

- **Communications:**
  - Develop a comprehensive communications strategy that encompasses the following elements:
    - Web-enabled two-way open dialogue between industry, municipalities, government and environmental groups
    - Reports on industry and other water-taking activities at a watershed level

(Details of the workshop discussions and recommendations are presented in Appendix D)

Appendices:

A) Hydrogeology – Watershed Basics

B) Ontario Water Taking Regulations

C) Industry Trends and Statistics

D) Recommendations and Action Plans

The Hydrologic Cycle Provides Sustainable Water Sources

Source: Environment Canada www.ec.gc.ca/water

The earth's water continuously circulates in the *hydrologic cycle*. Rainfall and snowmelt can either run directly off of the land surface in streams, or infiltrate into the earth to recharge the groundwater. Groundwater moves through the earth and eventually re-surfaces into streams and lakes as *baseflow*.

Natural springs occur where groundwater surfaces on land, often forming the *headwater* for a stream. These natural springs are the most common sources for bottled water supplies. The spring water can either be collected as it flows from the ground, or a well can be used to collect the water just before it comes to the surface.

Ontario Water Taking Regulations

Permit to Take Water Basics:

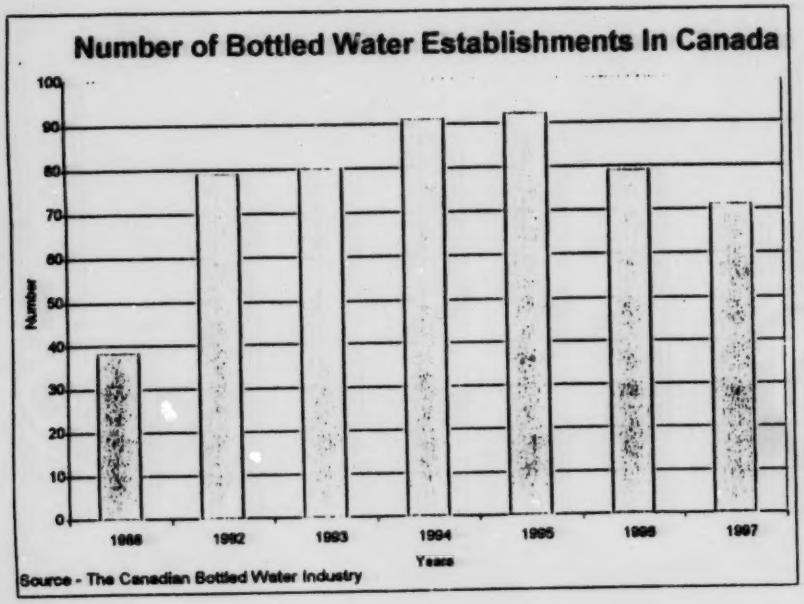
- Regulated under Section 34 of the Ontario Water Resources Act and Ontario Regulation 285/99 ("Water Takings and Transfer").
- A Permit is required to take more than 50,000 litres of water per day from groundwater or surface water sources. This is equates to a continuous pumping rate of about 0.58 litres per second or 7.6 Imperial gallons per minute.
- Certain uses are exempt, such as individual household use, livestock watering and firefighting.
- Multiple sources on one property or site location must be added together (i.e., several springs and/or wells collectively producing 50,000 L/day require a Permit, even if none individually exceed this amount).
- A Permit will specify the maximum amount of water that can be taken. Conditions are often attached that may include monitoring requirements.
- Permits have an expiration date. (The Ministry has indicated that 10 years is currently the maximum duration of new Permits, but water bottlers report that two years is now normal in their industry.)
- Permits do not convey a right to water, and can be revoked or limited by the Director of the Ministry of the Environment at any time, particularly if there is interference with other users.
- Permits cannot be issued to reserve future water supplies. Permits may be reduced if the actual water taking is less than the permitted amount.
- In issuing a Permit, the Director must consider the effects on groundwater, surface water, the natural functions of the ecosystem, and other existing and planned water uses. Supporting technical reports are usually required to be submitted with the Permit application for this purpose.

Ontario Water Taking Regulations

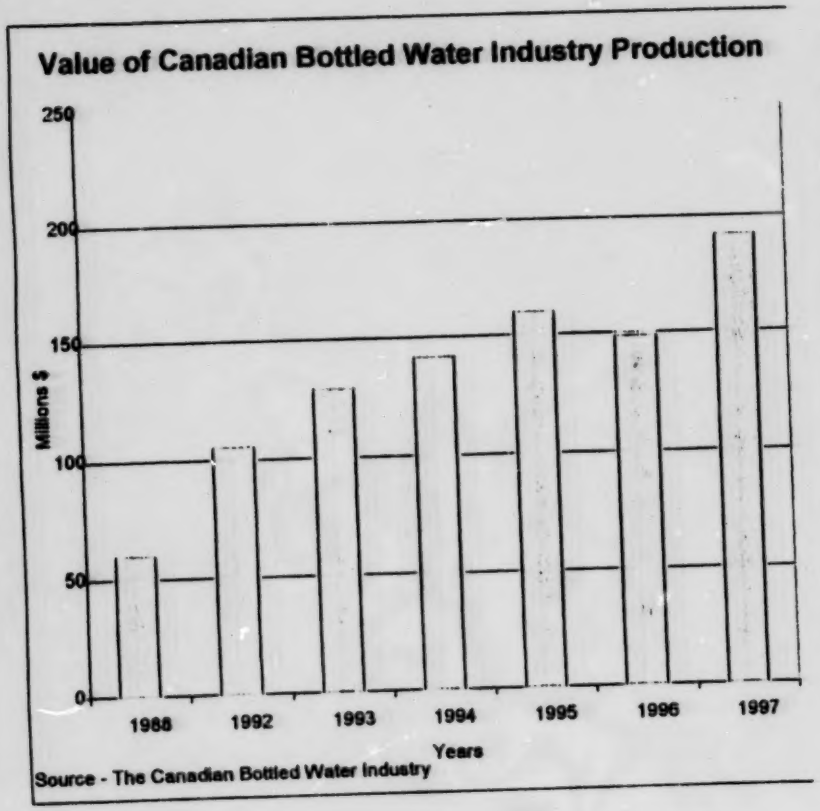
Permit to Take Water Basics (continued):

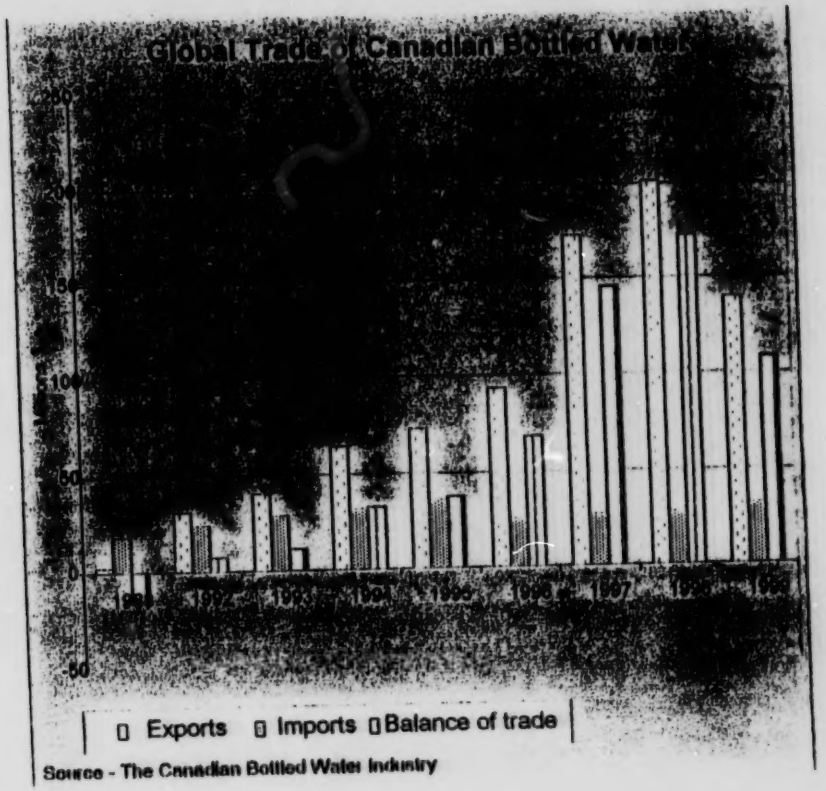
- The Director can require an applicant to consult with other interests, including the public or other government agencies, and provide responses in conjunction with the Permit application.
- Bulk water transfers out of a water basin are not permitted. Ontario is divided into three water basins: Great Lakes/St. Lawrence, Nelson, and Hudson Bay. Water in containers of less than 20 litres are exempt.
- There is a "Guide for Applying for Approval of a Permit to Take Water" published by the MOE which details the application process.
- Notice of applications are posted on the Environmental Bill of Rights for public comment prior to the issuance of a Permit. The Director must take these comments into account.
- There are currently no fees for Permits to Take Water.
- Temporary Permits to Take Water are available and required for testing purposes (e.g., a pumping test on a well in order to prepare an impact assessment report).
- Other legislation may also apply to bottled water takings, for example:
- Certificates of Approval under the Ontario Water Resources Act for a water distribution system;
- The federal Fisheries Act, if a stream containing, or contributing to, fish habitat is affected. Note that if a Permit is required under the Fisheries Act, the Canadian Environmental Assessment Act may also apply; and
- Municipal approvals under the Planning Act for zoning and official plan amendments.

Industry Data Derived From Multiple Sources



Industry Data Derived From Multiple Sources (continued)





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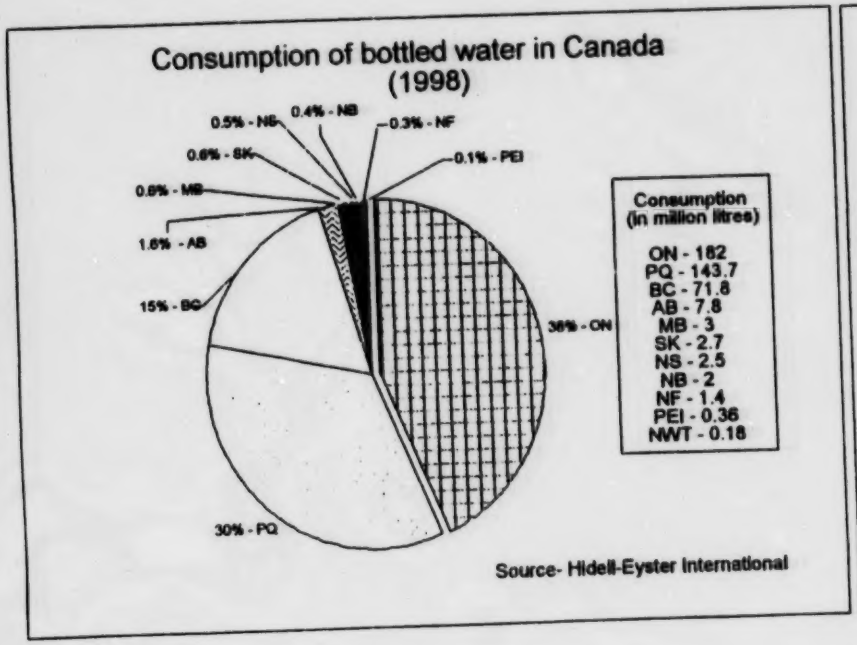
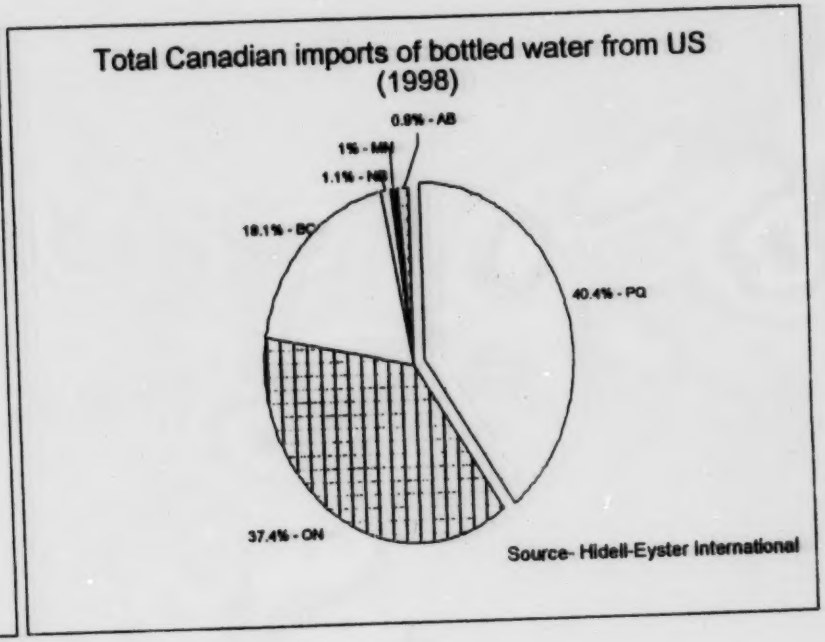
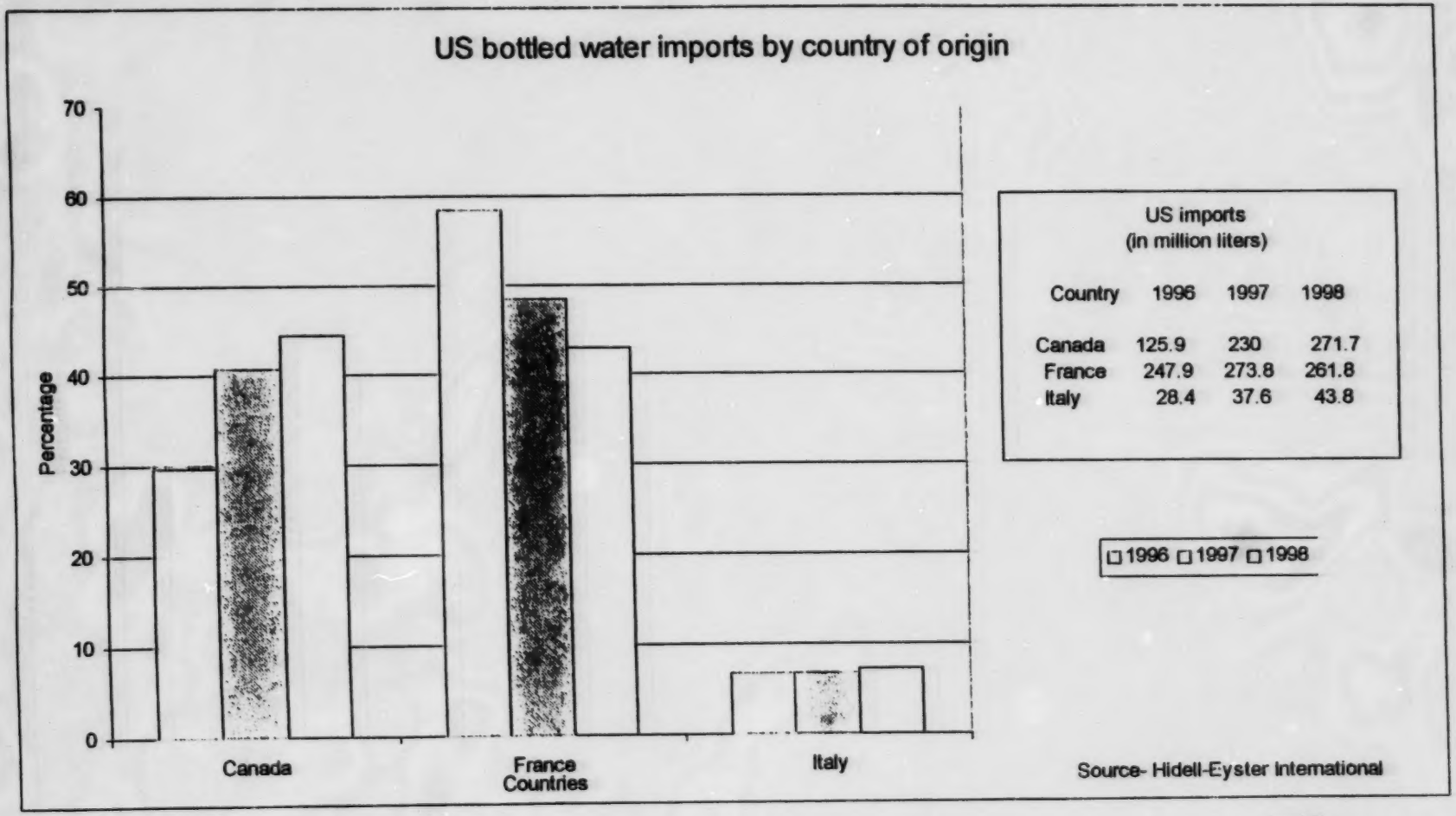
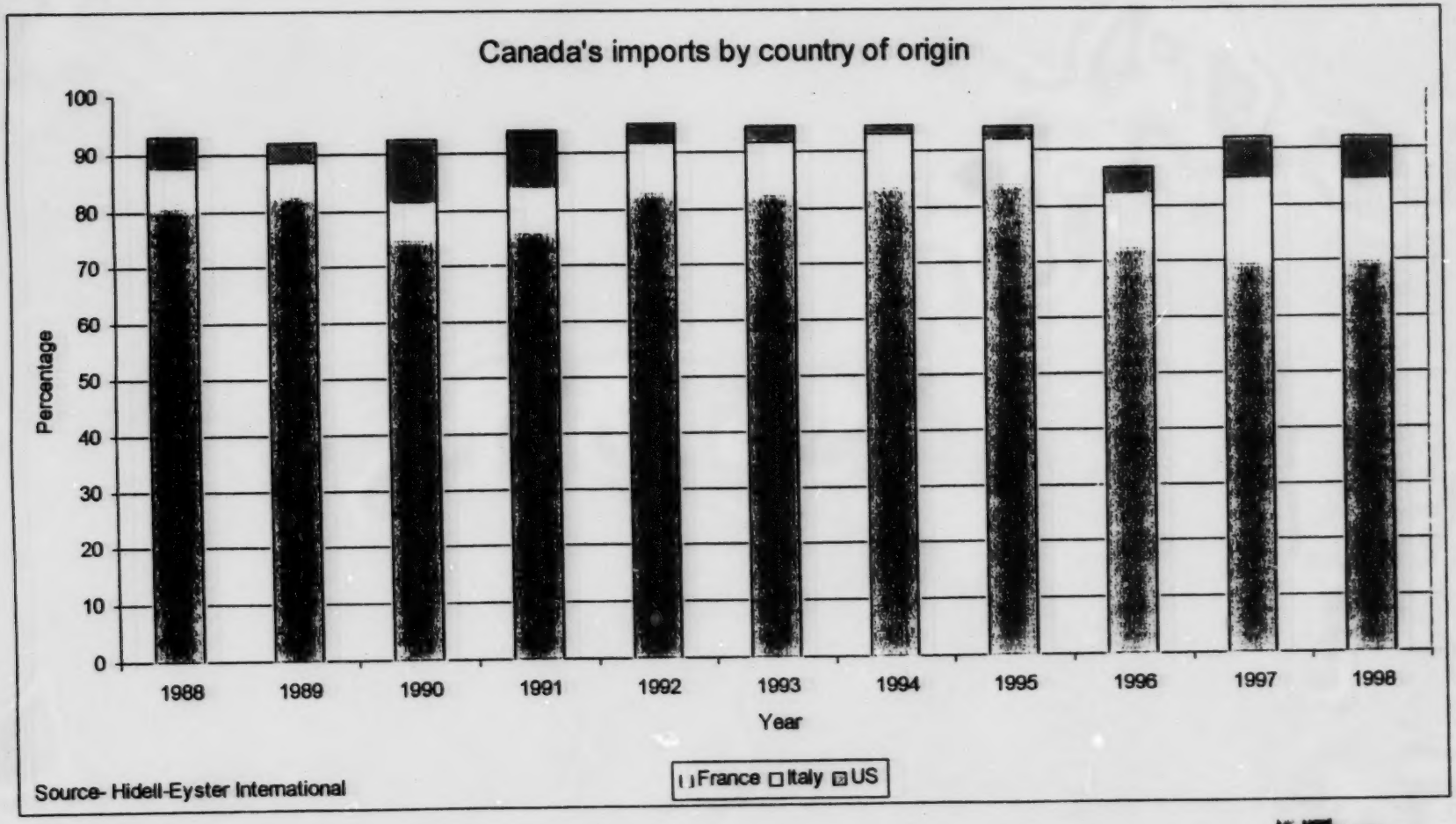




Industry Data Derived From Multiple Sources (continued)

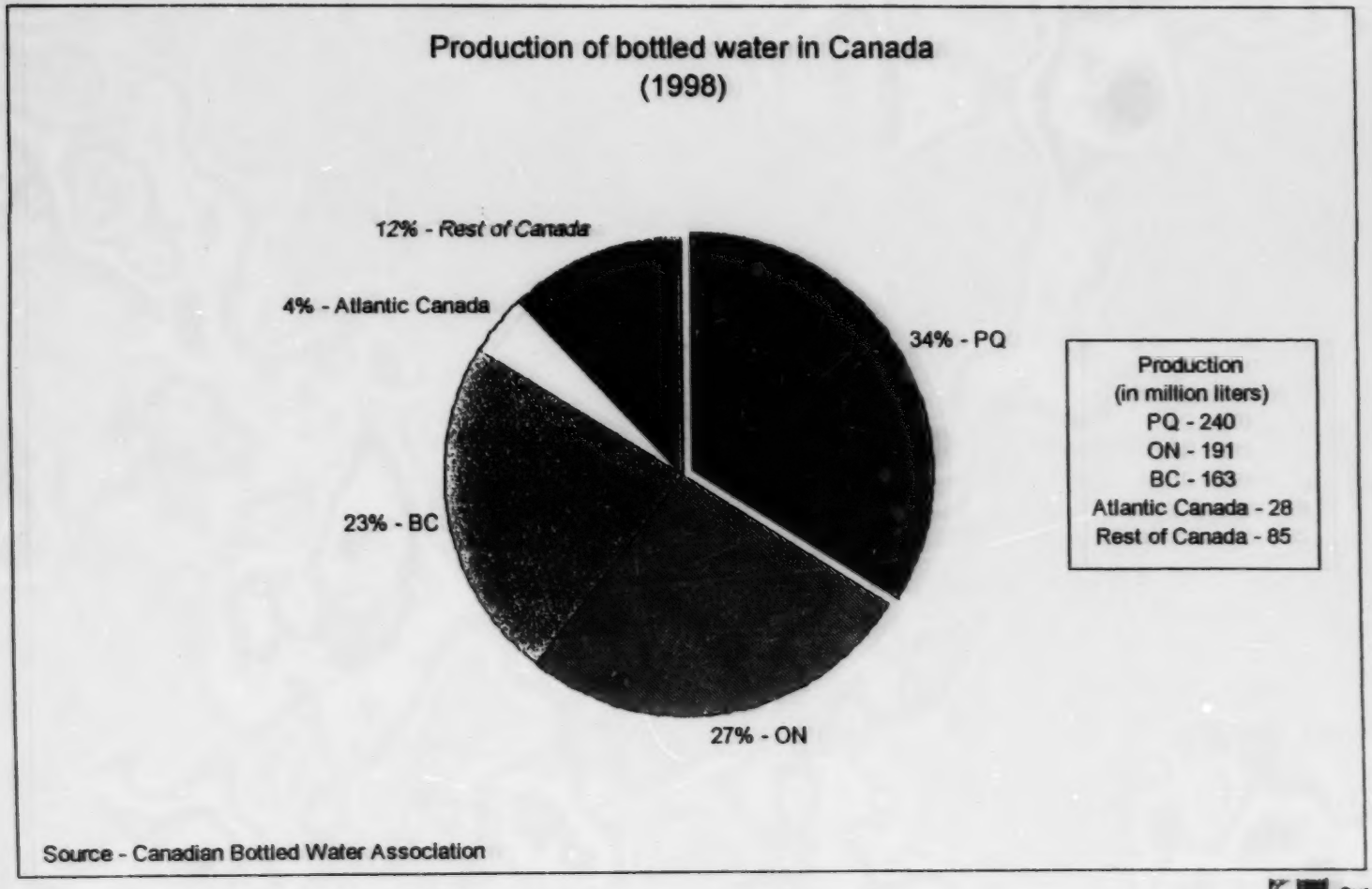


Industry Data Derived From Multiple Sources (continued)



Industry Data Derived From Multiple Sources (continued)

Appendix C



Workshop Recommendations and Actions: 1. Regulatory Reform

- **Work with MOE to Develop New Regulations:**

  Work with MOE and other interested stakeholder groups to develop a comprehensive new set of regulations and guidelines for all water taking activities (bottled water, municipalities, agriculture, etc.) that are based on sustainable watershed management practices. Transparent regulatory practices will engender public confidence in the bottled water industry.

  - Reporting should include information on location and amount of water actually taken
  - MOE should provide bottlers with a response to reports
  - All takers of water should be required to report to MOE
  - Information should be compiled in a standard data-base format, and made easily accessible to stakeholders, and the public
  - MOE should provide bottlers with information to support watershed planning

- **Water Resource Planning:**
  - Planning should be long-term, and include considerations for "reserving" water for the future. Source protection would incorporate comprehensive watershed planning, and might lead to the establishment of "crown reservoirs". Important factors will include land-use controls; protection from sewage, chemical contamination; reforestation; compensation of ownership
  - Planning should take into consideration both quality and quantity of water
  - MOE should take leadership and regulate proactively
  - Industry should finance water management by voluntarily paying a fee to MOE per liter of water taken

- **Product Regulation:**
  - Labeling should reflect federal quality standards
  - Standards should be harmonized across borders
  - Industry should propose a draft regulation

Workshop Recommendations and Actions:
2. Branding

- **Brand and Differentiate Product:**
  - Industry should brand product as Canadian Water, with "VQA"- like standards
  - How? - Market Research
    - What is the perception of Canadian water?
    - Demand driver analysis
    - Perceived quality of water
    - Pricing analysis
  - Who? – CBWA/OBWA
  - When? – Start ASAP. Finish 2001
  - Funding? – Apply for Healthy Futures grant (OMAFRA)
  - Benefit:
    - Clarity re demand drivers
    - Identification of branding opportunities
  - Action? – Hire consultant to assist with market research

Workshop Recommendations and Actions:
3. Communication

Communication should be improved at the local, provincial and Industry-wide levels

- **Local:**
  - Communicate with local Council prior to public meetings
  - Bring independent hydrologist to present facts, impact levels, etc.
  - Participate in local events
- **Provincial:**
  - Hold a symposium, engaging MOE, environmental groups, conservation authorities, OMAFRA
  - Provincial communication in association with independent third-party research body, e.g. CREST (U of Waterloo)
- **Industry-wide**:
  - Develop alliances outside the Industry, e.g. Pollution Probe
  - Develop industry brochure
  - Web-site strategy - Post MOE data in standard format on Web site
  - Computer-modeling of water-taking impact that is web-accessible and interactive
  - Promote awareness of stewardship activities
  - Educational video on ground/spring water and how it works
  - Increase presence at public events, i.e. Royal Winter Fair
  - Encourage more media training for bottlers
  - Produce standardized annual report with current quantitative data. MOE to distribute aggregate data